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U.S. FOREIGN ASSISTANCE PROGRAM AND AID TO IRELAND

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HEARING

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

APRIL 10, 1986

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U.S. FOREIGN ASSISTANCE PROGRAM AND AID TO IRELAND

THURSDAY, APRIL 10, 1986

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met at 10:35 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Richard G. Lugar (chairman of the committee) presiding.

Present: Senators Lugar, Helms, Kassebaum, Boschwitz, Pressler, Murkowski, Trible, Evans, Pell, Zorinsky, Cranston, Dodd, Eagleton, and Kerry.

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee is called to order. The committee meets this morning to consider the issue of assistance to Northern Ireland as a political demonstration of support for the recently concluded Anglo-Irish agreement.

That agreement of last November 15, 1985, signed by the Governments of the United Kingdom and the Republic of Ireland, has been hailed as an important step in efforts to bring lasting peace to Northern Ireland. I welcomed the agreement and supported the President in his statement that "appropriate forms of assistance" might be provided by the United States to symbolize such support.

I emphasize this point because at the time of the agreement and the subsequent concurrent resolution passed by the Congress in support of this agreement I made clear that such a demonstration of support in the form of assistance had to be weighed carefully against the need for fiscal responsibility in the era of the Gramm-Rudman-Hollings legislation and the anticipated cuts in our overall foreign assistance program, as well as domestic programs.

Thus, the Irish aid request must be viewed not only in terms of the need to demonstrate support for the Anglo-Irish agreement, but also in the context of fiscal year 1987 foreign assistance requests of the administration, as well as the potential impact of the Gramm-Rudman-Hollings legislation on future foreign assistance funding levels.

Last year the Congress passed and enacted a 2-year foreign assistance authorization bill covering fiscal years 1986 and 1987. However, the fiscal year 1986 continuing resolution and the Gramm-Rudman-Hollings legislation mandated levels below those already authorized for 1986 and 1987.

There appears to be little prospect of program increases in fiscal year 1987 above those authorized levels, or even appropriation

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levels, since the lower postsequestration numbers—the CR level minus the 4.3-percent reduction mandated by Gramm-Rudman—have become the baseline now against which program changes are compared.

The administration's fiscal year 1987 foreign assistance request is above current year appropriations in all foreign assistance accounts. It is also above some of the previously authorized levels for fiscal year 1987.

Thus far, the administration's foreign assistance request for fiscal year 1987 has met with little enthusiasm in the Congress. This cool response has been due in part to the severe spending reductions in the entire Federal budget mandated by Gramm-Rudman-Hollings and the many competing demands of other programs.

The cool congressional response is also due in part to several other administration requests that will require action by the Foreign Relations Committee. These include a large increase for embassy security enhancements— $707 million in fiscal year 1986 and $1.4 billion in fiscal year 1987, an anticipated Philippine aid supplemental in the neighborhood of $150 million, major increases in assistance to Pakistan, and others.

Recently, the Senate Budget Committee recommended some $1.9 billion in program cuts from the President's international affairs request—that is the total 150 function. These include large reductions in FMS credits, in development assistance, and in USIA. The Budget Committee recommended reductions in the international affairs functions which are proportionately larger than those recommended for most other budget functions. With the exception of embassy security, virtually all of the other programs are recommended at levels below current year appropriations.

In short, any Irish aid request compounds the pressures on an already truncated program, particularly if overall program levels are not to grow. The committee needs to clarify the sources for the funds requested for Irish assistance in fiscal year 1987 and beyond. What programs might have to be reduced in order to provide new ESF funding for Irish aid?

Any amounts above the $20 million per annum in ESF for Northern Ireland, as contained in the administration's request, would, in the absence of overall increases in the ESF account, make even more difficult the task of achieving the goals of the foreign assistance program.

Americans have long been concerned about the tragic situation in Northern Ireland. We have witnessed the people of that region suffering from a seemingly unbreakable chain of violence and economic deprivation, born in part of decades of mistrust, fear, and outright hatred between members of contending traditions.

It is not for the United States to chart a course for the people of Northern Ireland. Only those most directly involved should decide questions affecting the future course of the people of Northern Ireland.

But if we cannot become directly involved in helping to end the cycle of despair that has gripped Northern Ireland, we can be supportive of a process that aims at reducing some of the bitter divi-

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sions so that the legitimate aspirations of all peoples to live free from violence can be realized.

For that reason, we were encouraged by the Anglo-Irish agreement of November 15, 1985, that constituted a step toward stregthening shared interests of all in Northern Ireland for a better future. Many Members of Congress joined with the administration in indicating their desire to demonstrafe concrete and tangible support for improvement in those conditions which have fed the violence in Northern Ireland.

The administration developed an aid package and presented its case to the House of Representatives. The House substituted its own package, passed it, and sent it to the Senate.

There are disparities between the administration request and the bill passed by the House. For that reason, I believed that, like the House Foreign Affairs Committee, the Senate Foreign Relations Committee ought to have an opportunity to scrutinize the administration request as well as the House-passed bill. Therefore, I insisted that a Senate companion bill to the House-passed bill be referred to the committee rather than being voted upon immediately by the full Senate.

Aside from the cash or the ESF component, there are differences in the administration bill and that passed by the House with respect to language dealing with conditions that are to be met before any funds could be dispensed. Moreover, at the time of action by the House of Representatives the administration was not in a position to discuss the structure and the mechanisms that might be employed in the development and operation of the International Development Fund for Northern Ireland, the principal new vehicle designed to promote the economic and social reconstruction of Northern Ireland and affected areas of the Republic of Ireland.

It is my hope that negotiations between Irish, British, and United States Governments have now reached the point where the committee can be informed as to the structure and the modality of this proposed fund.

Neither the process of reconciliation in Northern Ireland nor the objectives of economic revitalization can be achieved overnight, nor can they be accomplished solely by the infusion of assistance from the United States. Reconciliation, revitalization, and stability require that process be set in motion by those most directly affected. Economic assistance alone will not be sufficient to drive that process forward.

By the same token, whatever the merits of proposed increases in foreign assistance funding, the committee requires a clearer understanding as to the sources for the funds necessary to meet these ever-expanding worldwide commitments.

Such increased requests may be responsive to changing economic and security conditions around the world, but they could also generate expectations in other countries which we will be unable to meet. The United States could ultimately lose credibility abroad if, because of spending limitations, we are compelled to break commitments that we should perhaps not have made in the first place.

In short, the commitments-resources mismatch is likely to grow even more severe as we seek to adjust to conditions of diminished Government spending.

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In an effort to address the Irish aid request in the larger context, the committee is pleased to welcome this morning three witnesses intimately involved in the U.S. foreign assistance program. I speak, of course, of the Honorable Rozanne Ridgway, Assistant Secretary of State for European and Canadian Affairs; and the Honorable M. Peter McPherson, Administrator of the Agency for International Development.

And we are also pleased they are accompanied by Mr. Robert Bauerlein, Special Assistant, Office of the Under Secretary of State for Security Assistance, Science, and Technology, who will be available for questioning.

Before asking Mr. McPherson to initiate his testimony, I would like to call upon my distinguished colleague and ranking member of the committee, Senator Pell, for his opening statement.

Senator PELL. Thank you very much, Mr. Chairman.

As you suggest, we are engaged this morning in a process that really is of historic significance for Ireland and the United Kingdom, both crucially important friends of the United States. Last November, guided by the statesmanship of Prime Ministers Fitzgerald and Thatcher, those two countries took a bold step toward resolving the long-festering issue of Northern Ireland.

The Anglo-Irish agreement came after 17 years of fighting in Northern Ireland, 60 years of civil unrest, 4 years of direct negotiations. Its effective implementation now offers the best hope for ending the cycle of violence in the tiny province that has since 1969 cost more than 2,500 lives and caused more than 25,000 serious injuries—a level of carnage that in American terms would be the equivalent of over 3 million casualties.

Ultimately, of course, the fate of Northern Ireland will be determined primarily by the will of the people of Northern Ireland to overcome their differences in a new spirit of cooperation. But others outside Northern Ireland can be catalysts in this process.

By establishing a continuing intergovernmental conference, the Anglo-Irish agreement provides a brand new mechanism for cooperation between London and Dublin in addressing the issues of Northern Ireland's governance. And by establishing an international fund, the agreement provides a new mechanism for bringing outside resources, both technical and financial, to bear upon the challenge of overcoming Northern Ireland's condition of economic despair.

Moving to support the Anglo-Irish agreement, the administration and Congress are united. What remains to be resolved is the extent of that support. The administration's bill offers one level; the bill I have cosponsored with Senators Kennedy and Moynihan, perhaps a more energetic level of support.

I trust, though, that some constructive compromise will emerge as a result of this hearing and that this compromise will enable us to move forward in support of the ultimate objective, support for the peaceful future that the people of Northern Ireland have for so long been denied.

And I would add here that this is a problem of acute political interest in our country, in all of our States. And in my State particularly, I have many citizens of Irish extraction there, and I think

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that the heat generated by this whole problem is even more than the level of carnage has been.

So I think it is a problem that should be resolved as quickly as possible, and I look forward to working with the chairman in this regard.

The CHAIRMAN. Thank you very much, Senator Pell.

I might call now upon Mr. McPherson for his testimony.

STATEMENT OF M. PETER McPHERSON, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT, ACCOMPANIED BY ROBERT BAUERLEIN, SPECIAL ASSISTANT, OFFICE OF THE UNDER SECRETARY FOR SECURITY ASSISTANCE, SCIENCE AND TECHNOLOGY, DEPARTMENT OF STATE

Mr. MCPHERSON. Thank you, Mr. Chairman, Senator Pell.

We very much looked forward to this hearing, because it frankly gives us an opportunity to lay out the agony really that we are going through in this budgetary process this year.

Assistant Secretary Ridgway will be dealing in great depth with the question of the Irish supplemental per se, and I would like to take the overview of how we are struggling through with the budget process. We focus on ESF here this morning because that is the program out of which the Irish money is proposed to be taken.

The CHAIRMAN. Mr. McPherson, if I may ask you, because we are right in the beginning of the testimony and I hate to break our hearing at any point, but we knew that a rollcall vote was about to come. It has arrived, and I am going to suggest to the committee that we recess for 5 minutes and that we all vote and that we come back and hear the testimony in its entirety, as opposed to truncating it in the middle.

So if you will excuse us, the committee will recess for 5 minutes.

[Recess.]

The CHAIRMAN. Mr. McPherson, would you proceed now with your testimony.

Mr. MCPHERSON. Thank you, Mr. Chairman. I appreciate your taking that rollcall vote as I had begun instead of when I was well in the middle. Thank you.

We think that the program—that the possibility for some progress for some appropriation for this Irish fund is there, and we have come up with a package which we think addresses this possibility. We have carefully thought it through.

More progress in developing exactly how it will work of course needs to be made by the principal parties involved. But we think it is a sound idea.

What I hope to do particularly today is to give you, Mr. Chairman, a sense that I know you already have some feel for, but to lay out on the record a sense of some of the struggle that we are going through as we balance off these numerous national security interests and other interests on this ESF account.

I know that every Member of Congress is intensely aware of all the tradeoffs that have to be made this year. But let me give you a little detail of what we are doing with the ESF account.

The ESF account was of course some 12 percent below the 1986 request, and some 7 percent below the 1985 level, excluding the

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Middle East peace supplemental. Over and above that, you have some 70-percent of the ESF account was earmarked, the things you mentioned, with Egypt and Israel accounting for some 22 and 32 percent of that ESF account.

In addition, there were very substantial de facto earmarks by base rights and other concerns that we just did not feel we had any leeway concerning them.

The CHAIRMAN. If I may just interject at this point, what is the percentage for Israel, Egypt, and the base rights continues? What percentages are those earmarks of the ESF account?

Mr. MCPHERSON. Well, let us see. For Israel it is 32 percent. For Egypt it is 22 percent.

The CHAIRMAN. This is of the total ESF?

Mr. MCPHERSON. That is correct.

The CHAIRMAN. 32 and 22.

Mr. MCPHERSON. That is correct.

The CHAIRMAN. And for base rights and military access continues?

Mr. MCPHERSON. Offhand, it seems to me it is 19. No, it is 21.

The CHAIRMAN. 21. So that accounts——

Mr. MCPHERSON. Base rights and military access.

The CHAIRMAN [continuing]. For 75 percent of ESF.

Mr. MCPHERSON. That is correct.

The CHAIRMAN. Israel, Egypt, and the base rights continues.

Mr. MCPHERSON. That is correct.

Now, we of course live in a very dynamic world. And as the year has gone on, we have met numerous circumstances. We are struggling through the question of how we respond to the Philippines. We have some ideas concerning that and the administration will be talking more about that privately and then publicly shortly.

We have the situation in Haiti, and frankly I just do not have any clear idea of how to really respond to the Haiti situation at this time. Since the change in government, we have provided about $20 million of additional food that we reallocated, but it is clear that there are some concerns over and above that. I was in Haiti just a few days ago and spent a good deal of time on the situation there.

We have been concerned about a cut of some $10 million that we did when we were making these allocations in Oman, and we think that that is a matter that we have to continue to worry about as well.

In addition, we have provided all the money that we now have allocated to Jamaica. We have already given that to Jamaica this year. This country in the last 5 years has made a very substantial investment in Jamaica, and I am convinced for the next several months we are going to have to deal with that issue once more.

In addition to this, mixed credits has been a major issue for us. You remember that we felt compelled to break—to ask Congress and to proceed to break the earmark on that mixed credit account.

Nevertheless, part of our representation to you at that time was we would at least find some deals that we could make, and at that time we had well under way the possibility of a computer sale to India that would involve ultimately hundreds of millions of dollars

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of computers, a major, major breakthrough, we think, for American industry in India.

Now, someplace as the year goes on we have to—we expect to find, have to find, $7 million for that.

In Chad, a major concern in Chad. The Libyans are there, and we think there is a need there.

In Ecuador, the Ecuador foreign minister is here today. In fact, when I leave here I will go back downtown and, with some others, have lunch with the man. The president of Ecuador was here last fall. He said, we think we are going to be OK if petroleum does not fall below $20. Well, obviously the situation in Ecuador is a very severe one.

Now, what I am saying is that we started off with a restricted, reduced ESF account from what we thought we needed, and we did not come up with those numbers lightly. Most of that, a solid some 70-plus percent of that account, is either earmarked or base rights money, and the small amount left we juggled for the rest of the world.

I did not include Central America, which is a good chunk of that, too.

And as we do so, every time someone mentions $500,000 I say, oh, no, we just cannot do it. The compromises that I fear we are compelled to make under these circumstances I think are not in the best interest of the United States national security.

This ESF account is particularly focused by definition and purpose on those national security interests of the United States. It is for that reason that we have come forward for fiscal year 1986 with an Irish program that includes $20 million that is to be funded for ESF out of rescissions proposed to Congress and another $30 million which we propose to fund out of a combination of guarantees and other similar programs.

It is my feeling that this addresses the situation. It is a very solid contribution for America to make, and I feel strongly that if I had to figure out where to get an additional $30 million or $50 million in ESF out of this money, I just do not know where to do it. I mean, I just do not know where to do it and still keep the integrity of the national security interest in full view.

Mr. Chairman, I have struggled with this many times since I have been here, and I appreciate your listening to me.

[The prepared statement of Mr. McPherson appears in the appendix.]

The CHAIRMAN. Thank you very much, Mr. McPherson.

Secretary Ridgway, would you like to testify at this point?

STATEMENT OF ROZANNE RIDGWAY, ASSISTANT SECRETARY FOR EUROPEAN AND CANADIAN AFFAIRS, DEPARTMENT OF STATE

Ms. RIDGWAY. Thank you very much, Mr. Chairman. I have a prepared statement which has already been made available. I will not repeat that. I would like, if you would permit, however, to go through and highlight those items which respond to some of the points which you made in your own opening remarks.

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We have, as you said—the Reagan administration has taken the same position in Northern Ireland as have previous administrations, that it is not for the United States to chart a course for the people of Northern Ireland.

The agreement of November 15, 1985, between the British and the Irish Governments is really a credit to their courage and their determination to overcome the negative legacies of history in that region.

Our latest information about support for the agreement in Northern Ireland suggests that it is increasing, and that now 46 percent of the population there supports the agreement, up from 35 percent immediately following its signature in December.

This figure does not really reflect the continuing differences in support between the two traditions in Northern Ireland. However, virtually all of the Catholic minority committed to nonviolence supports the agreement, as well as about 20 percent of the unionists.

The opposition by a segment of the unionist community does continue. There was a unionist-organized Northern Ireland-wide strike on March 3. Following this, many unionists, including some political and business leaders, decried the violence that went along with this and they foreswore participation in future strikes.

Some of the incidents of unionist violence have recently been directed even at the police force.

So, while we recognize that the road ahead to a genuine and long-lasting peace in Northern Ireland remains difficult, we think this agreement deserves full recognition and support as a meaningful step toward strengthening the shared interests of both traditions in Northern Ireland for a better future there.

The President and many congressional leaders, of course, hailed the agreement and saw it as providing a framework for peace and an important step toward reconciliation, and signaled their commitment to the idea of providing tangible U.S. assistance as a concrete demonstration of the value we attach to the agreement and our hope for a beginning of the end of the cycle of violence and despair in Northern Ireland.

The program that we have—the proposed program that we have designed—has as its objective a careful response to the real needs in that part of the world. The proposed cash contribution to the British and Irish Governments' planned international fund is designed to provide seed money to this vehicle, which those governments have decided will serve as their primary new joint mechanism to promote economic and social development in the region.

Now, the two governments are in the process of identifying appropriate projects for consideration by the fund, and we know that emphasis will be given to the stimulation of private sector investment. One vehicle for this which is under discussion is in the area of venture capital arrangements which could maximize the use of the money contributed to the fund.

The two governments also have already decided that 75 percent of the fund's activities will be directed to Northern Ireland, the remaining 25 percent to areas of the Republic of Ireland most seriously affected by the instability of recent years.

A word on the modalities. The fund as an entity will operate independently of the two governments. Final decisionmaking author-

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ity on fund activities will rest with its administering board. That board will be composed of not less than six nominees appointed jointly by both governments.

Donor countries—and that would be the role of the United States—may participate in board meetings as observers. We would intend to accept such a role for the United States, and we are also prepared to provide economic development expertise, a great deal of which is available in the U.S. Government, which might be relevant to some of the fund's development efforts.

Now, the Irish and the British Governments have invited other countries that have close human and historical ties to Ireland and the United Kingdom to contribute to the fund. We do not yet have any firm indication of what specific other countries will contribute or at what levels of assistance. We do understand that the British and the Irish Governments are discussing this question with the European Community and with Canada and Australia.

I think, Mr. Chairman, the rest of the statement makes points with which you are already familiar, and I would like to just add one other dimension, and that relates to private sector contribution, because we do hope that the American private sector will join the administration and the efforts of Congress to be supportive of this initiative in Northern Ireland.

Total United States investment in Northern Ireland now stands around $1 billion. It is spread out among 25 companies, primarily in the manufacturing sector. We count over a dozen United States company closures in Northern Ireland over the last 5 years, primarily related to European market conditions and to the desire to be positioned one way or the other in a worldwide market situation, reasons which on the whole are unrelated to Northern Ireland itself.

We are aware of only three new American businesses going to Northern Ireland in this same period. We know there are very generous incentives offered to attract investment in Northern Ireland. So we believe that this low number of only three going in recent years represents a finding, supports a finding that was made some years ago, that it is the perception of violence which inhibits foreign business circles from being more positively inclined to investment in Northern Ireland.

The economic stagnation which is a characteristic of the region, cannot be cured, as you look at this picture, then, by quick or simple infusions of cash alone. Economic revitalization and stability involve a long-term process to which both our proposed cash contribution and the existing program mechanisms can contribute equally.

As Mr. McPherson said, the context within which we are all operating is the context of severe U.S. budget stringencies. We believe that our responsibilities to the American taxpayer require that we achieve the maximum result from each dollar spent, and that to the extent possible, we should not detract from other foreign assistance priorities when there are other mechanisms—noneconomic support fund mechanisms—that can do the job.

You mentioned as well in your opening remarks, Mr. Chairman, the matter of special requirements that have been added as this proposal has moved through the Congress. We do not believe that

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measures imposing special requirements as proposed by the House should be attached to the assistance proposal.

We do not believe there should be U.S. Government involvement in the day to day management of the fund.

One question which came up earlier had to do with some language in the administration's bill that, if I can give the quote, speaks of "notwithstanding any provision of law," when it talks of authorizing assistance. The purpose of this provision is to enable the provision of assistance without regard to administrative requirements, procurement procedures, and the like, which might hamper the use of the assistance.

It was not intended and we do not believe that the language operates in such a way to avoid the substantive restrictions that are already in the Foreign Assistance Act. The one that seems particularly troublesome is a prohibition on the use of economic support funds for military or police purposes.

We do not see the language in our bill as counseling that in any way, and we would be more than happy to work with the committee staff to develop language that is acceptable to everyone concerned to make sure that that confusion is removed.

And then I think it would be appropriate before closing to take on the question of the suggestions that have been made to require adherence to the so-called McBride principles. Fundamentally, the McBride principles, which supporters allege contribute to the goal of equitable treatment of the two traditions in Northern Ireland, in fact have the potential to exacerbate seriously the present economic difficulties there, thereby making the adoption of these principles a very hollow victory indeed for the unemployed looking for jobs.

Northern Ireland has had a long history of employment discrimination and, to be candid, many vestiges of it remain today. The burden of discrimination has fallen in great measure, but not exclusively, on Catholics because of the siting of many industrial plants in areas hostile to Catholics.

The impact of this inequity has worsened with the significant economic recession in Northern Ireland in recent years. Discrimination is prohibited by law in the United Kingdom and the 1976 fair employment act specifically guarantees equal opportunity protection in Northern Ireland, including the obligation of employers not to practice discrimination in hiring and to exert reasonable efforts to prevent harassment in and about the workplace.

In instances where religious discrimination is alleged, plaintiffs have access to a full range of protection under British law. Now, a fair employment agency was established to promote equality of opportunity in Northern Ireland. That agency sponsors a voluntary fair employment code, which incidentally has been signed by practically all United States companies in Northern Ireland.

We understand that some United States companies in Northern Ireland have concluded that adoption of certain of the McBride principles would seemingly place their operation in contravention of law in Northern Ireland by promoting reverse discrimination.

The Securities and Exchange Commission staff has recently reviewed this question and it has found that the questionable legality of some of the principles gives sufficient reason for corporations to

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exclude stockholder resolutions advancing these principles as corporate policy from normally mandatory consideration at annual stockholder meetings.

We think that in this context efforts to promote the McBride principles in the United States have as one result to increase unease United States companies may feel about the practicality of doing business in Northern Ireland, as more such companies have been faced with both stockholder resolutions and State legislation which would require adoption of the principles or in some cases divestiture.

It seems reasonable, to us it seems reasonable, to assume that the net effect of the effort with respect to the McBride principles is to curb employment prospects there for those who need the jobs the most, the Catholic population. High-level government officials in the United Kingdom and Ireland have clearly indicated similar concerns.

The leaders of the predominant Catholic political party in Northern Ireland itself, as well as of the Catholic Church there and the fair employment agency, have all voiced parallel views.

I think, Mr. Chairman, that draws out of the prepared remarks specific attention to the points that you made, and I am prepared to answer any questions.

[The prepared statement of Ms. Ridgway appears in the appendix.]

The CHAIRMAN. Thank you very much, Secretary Ridgway. I appreciate the summary of your statement, and of course the full testimony will be made a part of the record.

At this point we will have questions and limit them on this round to 10 minutes to each Senator. The distinguished ranking member, Senator Pell, has reminded me, and I would remind all members, that we are hoping to get a quorum for business that is before the committee.

We have only four members present, somewhat short of the nine that will be required. So let me ask staff on both sides of the aisle at this point to inquire of members if they are going to be present and whether we are likely to get a quorum.

We will start with the questioning, but we may break into that if we are able to get a quorum and transact our business.

Let me begin by just simply raising questions that have been covered in a way, but may be helpful to the committee in piecing the total picture together. When I asked originally in my opening statement about the $20 million that the administration was proposing, I anticipated that that would be $20 million that was not now in the budget.

Now, as I understand your testimony, Mr. McPherson, the $20 million would come from a rescission of some sort. Can you describe this rescission that makes possible the liberation of the $20 million?

Mr. MCPHERSON. The administration sent to Congress a whole series of rescissions that went, that came from all over the executive branch, and it in turn sent up a proposed supplemental. In that there was in fact an excess of proposed rescission of $50-some million, and so those—the $20 million that we are talking about would come from that amount.

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The CHAIRMAN. To my knowledge——

Mr. MCPHERSON. I cannot pinpoint just what rescission the $20 million would come from.

The CHAIRMAN. The Congress has not acted upon those rescissions. So we have a situation in which there are two proposals, one for a rescission that would make possible this $20 million and the other for the $20 million, both requests moving along simultaneously.

What the rescission does not occur? Then where do you stand at that point?

Mr. MCPHERSON. Well, under the way the rescissions operate, as I know you know, they do not become effective unless Congress acts upon them. If Congress does not act upon them and then Congress were to, of course, enact whatever it enacts, then the administration will follow.

If it is a $20 million offset of ESF, then we would struggle to find that amount of money. If it were more, we would be forced into that situation as well.

The thrust of what I was saying—and I know you fully understand—is that every dollar we must find from existing ESF programs is excruciatingly difficult.

The CHAIRMAN. That is right. So if the rescission does not pass, what you are saying is this $20 million must come from the ESF account, and that will require an agonizing reappraisal with respect to an already small portion of the ESF account, because you have identified in your testimony 75 percent of ESF is already earmarked for Israel, Egypt, and the base-rights countries.

Mr. MCPHERSON. Correct.

The CHAIRMAN. Now, obviously, if more than $20 million in cash is involved, the agony is more excruciating.

Mr. MCPHERSON. Exactly.

The CHAIRMAN. Let me just ask out of curiosity how you arrived at the $20 million figure as an appropriate sum. As I understand your testimony, this is to be seed money for a fund independent of Great Britain and Ireland, a fund to which we hope other countries might contribute. And apparently, as you say, Ireland and Great Britain are now talking with members of the European Community and others about what they might do, but they have not stepped forward at this point.

Mr. MCPHERSON. That is right. We do indeed hope that other countries will make contributions. The EC has a program with Northern Ireland, and other countries—Canada, Australia, and so forth—I gather have been in discussions with the English and Irish.

The figure of $20 million cash contribution and then $30 million from other programs was basically arrived at because we felt that some cash contribution, some ESF contribution to the fund, was appropriate. At the same time, we felt strongly that the full amount—that more than $20 million was not necessary to really show our strong support for this fund.

And moreover, as was indicated a few moments ago, we envision the private sector playing a major role here. This is not some new welfare program for Northern Ireland. It is an effort to create jobs, to make a contribution to growth. And the program, the trade de-

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velopment program, the HIG guarantees, for example, those kinds of activities we think fit nicely into the private sector and jobs, and we believe will make the contributions necessary.

The CHAIRMAN. Why would the $20 million cash contribution be needed at all? Why would you not simply try to promote through incentives private sector contributions, whether from this country or European countries or elsewhere?

Mr. MCPHERSON. Well, the original program was based—the thought was that some cash contribution would show a really deep commitment on our part to this effort, and that some flexibility here with cash would be helpful.

I do agree with you, with the implication of your question, though, that the thrust here is not government funding, but really is to encourage private investment. And government cash per se does not necessarily do that. Indeed, sometimes, unless properly used, it is the reverse.

The CHAIRMAN. How would you respond to those who would suggest that both Great Britain and Ireland, whatever their economic situation may be, are in a relative sense in this world are fairly well off countries? In other words, many foreign assistance programs, have been designed essentially for countries that have very low per capita income. One might argue that both the United Kingdom and Ireland ought to pay their own way, and provide the resourses for the International Development Fund out of their own funds.

Why are we involved, in other words, with two countries that are as highly developed as these two?

Mr. MCPHERSON. Well, that of course is the question that we have sorted through, because we want to be careful to put our money, to the extent we can, into places where there is a great financial hardship. It would not be the first place where we put money into places that had high per capita incomes.

For example, Israel has a per capita income in excess of $5,000, and Oman is almost $6,000. What you do is to look at the national security interest of the United States along with these per capita income indicia and make the calculation.

I feel comfortable with some cash involvement here because I think that in fact the United States, the involvement of the United States, the involvement of countries beyond the immediate parties, does give an international emphasis and push to this that I think can make a contribution.

We need to guard our resources carefully, however, and I think put no more cash in and take away from these needs that we have discussed than is absolutely, absolutely necessary. As we struggle through these ESF accounts this year, we need to, as you remind me privately and publicly often, and I think most appropriately, we need to not only think about how much money we have, but we need to think about how well we spend the money we do get.

It is—and country by country, we have got to scrub those numbers and make sure every dollar delivers, because we just do not have many of them.

The CHAIRMAN. Let me just pursue that question just one step further. You pointed out Oman and Israel have higher per capita incomes than Ireland, which is clearly true.

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I suppose that the case is made that Israel is an embattled state, surrounded by hostile neighbors; and that, in the case of Oman, clearly we have attempted to provide some security for our own presence in that part of the world. In the case of Ireland and Great Britain, neither appears to be under jeopardy from the Soviet Union, from hostile neighbors, and what have you.

We are of course aware of the bitter divisions between the contending traditions in Northern Ireland. But are you making the case that the $20 million cash contribution will substantially enhance the credibility the recently concluded Anglo-Irish agreement, that the purpose of utilizing funds from the ESF account is to serve as a symbol of our friendship with the United Kingdom and the Republic of Ireland and to involve the United States in the reconciliation process?

Can you help me in describing why we are engaged in a discussion about providing economic assistance to Northern Ireland?

Mr. MCPHERSON. Let me have Secretary Ridgway, if she will, respond in part to your question. But I would like to say that I do not view this $30 million, and I do not think you do either, as a shuffling of accounts, because I think that if we are truly interested in the private sector playing a major role here that this $30 million from other accounts can play an important role.

Ms. RIDGWAY. Mr. Chairman, if I might put it at its simplest, we have all shared the agony of Northern Ireland, and with this agreement between the two Governments we see an opportunity to address the problem in a constructive way that gets to the heart of the matter and which serves the interests of the two traditions in Northern Ireland.

We would like to participate across the range of activities which are envisaged in this framework, which is established by the accord. And we find, in answer to the first part of your question about why this kind of assistance, when the figures are so high compared to figures in other countries when we traditionally deal with this, I would agree the figures on the face of it are high.

We have annual per capita income, for example, in Northern Ireland of approximately $6,400 a year. So you do not think of it, as you say, as the normal traditional developmental situation.

But over the last 15 years, where we have seen this recession setting in, an increasing percentage of this income has been provided by government support efforts, and public spending in Northern Ireland now accounts for roughly 77 percent of the area's gross domestic product, and it contributes approximately 45 percent of all of the Northern Ireland employment.

This year, for the British Government alone, there are plans to spend about £4.5 billion, or roughly $4,000 per person in Northern Ireland through governmental institutions there. And of this, about £1.6 billion constitutes a net cash infusion into the economy.

So that a Northern Ireland citizen today is receiving roughly 50 percent more from the public purse than citizens in other parts of the United Kingdom.

So what we are participating in we believe is an effort to turn that around, to create jobs, to create employment, to create the confident atmosphere in which private investment can take place, American private investment, investment from other countries,

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which gets to the heart of the problem, which is employment, jobs, and sustainable economies.

And it is for that reason that we have structured our program as we have, because it is not only an economic expression but it is a political expression of a desire to be involved across the board.

The CHAIRMAN. Thank you.

I would like to recognize Senator Pell for his questions.

Senator PELL. Thank you very much, Mr. Chairman.

I think as we look at these figures, I realize the basic difference is it is either $50 million cash a year or $20 million cash plus loans and other ways of assisting.

But I think what we do not weigh into the equation are the emotional factors, if you want to put it that way. But I would say that probably a quarter of the people in this room have cousins who might be affected by what we do in this committee today on this bill.

And one of the things that you are trying to do, very properly, is to act on the basis of, as you put it, of the economic benefit—how it actually works—but you also have to crank into it the degree of emotion and feeling, I think, that we have. And some of the countries we aid, we do not have that feeling for, we do not have cousins there or very few of us have cousins there.

But in the case of Ireland, there is a rather close feeling. In my State this would be particularly true. I think that is probably one of the reasons why you cannot always use strictly rational criteria. And I just wanted to put that thought across and get your reaction on it, because I realize you have this problem with other countries.

For example, in Israel I think we have an emotional attachment; Egypt, we really do not have an emotional attachment. But we try to relate aid to Egypt to that for Israel for strategic reasons and others.

How do you crank this emotional factor into your request?

Mr. MCPHERSON. Well, I appreciate your dealing with this issue so very directly, Senator, because I think it should be dealt with in this direct fashion. There is no question that the aid program over the years has had allocations because of historical ties to countries, as well as the national security interest of this country.

I think, however, as we go into a period, as we are now in, of really deep austerity, of having to trade off in some cases a national interest on one side versus another, we have to measure what we get from every dollar. And I think the fundamental question that has to be answered by Congress is, do you really add to the emotional interest, if you will? Do you really add to the long-term solution or contribution that we can make to the solution there in Northern Ireland and the Republic of Ireland by some additional $30 million cash?

And if we do not add some real contribution in the $30 million cash, then I think we should use it for some of the other pressures that we are going to have on us. I mean, I talked about Jamaica and Haiti. There is some real interest in some of those countries in this country as well.

I think in addition that I have found over the years that cash often simply does not help. Indeed, cash I think can be a dangerous thing, too much cash. You cannot help—you have to—it seems to

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me programs like our Trade Development Program, that does feasibility studies for purposes of potential new investment, may make a good deal more difference dollar for dollar than will ESF.

So I would argue it both on the basis that I do not see the cash making—the cash is dearer, given the other demands for it, and I think that has to be a consideration. And next, I think that in fact these other programs may make a bigger real contribution for the ends that I think you very justifiably seek.

Senator PELL. But for example, you mentioned Oman. Let us say the dollar could be spent 100 percent efficiently there and it might be spent 75 percent efficiently in Northern Ireland. And yet, I would wager that the majority of our citizens would prefer that it be spent in Northern Ireland, where there is a relationship.

Mr. MCPHERSON. Well, I think that the majority of the citizens might, because the majority of the citizens of America do not know where Oman is, probably. But those such as you, who have a global sense of the U.S. interest and the problems that we face as a country, I think need to distill out where we really have to do things.

And Oman is important to our interests in the Middle East, in our judgment and I know in your judgment as well.

Senator PELL. But I with my global perspective still have to take into account that I have no constituents from Oman and about 20 percent from Ireland. And there is a practical difference there that does honestly affect one's final decision, and I think that is where you are running a little bit uphill here.

Mr. MCPHERSON. What I am trying to do, I guess, Senator, is to give you I think a very rational and I think really accurate basis for you to tell the citizens of your State that you are doing the best job for the Irish by voting for the package the administration submitted.

I think that a very good case can be made exactly along those lines, Senator.

Senator PELL. I agree you are being very rational and I am being a little bit irrational. [Laughter.]

Have you by any chance sent a study team to Northern Ireland to see what would be good targets for investment, and what has been their conclusion?

Mr. MCPHERSON. We expect to shortly. We have conferred extensively with both the English and the Irish Governments, and we will be meeting with them again very soon to look at policy goals, project criteria, and general operating procedures of the fund itself.

Senator PELL. I would think it would be a good idea to move ahead in that as fast as possible, because either one aid package or the other aid package would probably come out of this committee.

Mr. MCPHERSON. We concur, and that is exactly our posture.

Senator PELL. Thank you.

What has been the response of the two Governments, of Ireland and the United Kingdom, concerning the proposal, the mix? Have you had any responses?

Mr. MCPHERSON. Well, I think that there is a general feeling that cash is always better, because it gives you, it gives the recipient maximum flexibility. But on the other hand, I think there is an appreciation that programs like our Trade Development Program

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and our PRE revolving fund and others, and including the housing, can be very effectively used as well.

I mean, I would not be surprised in fact if we provided cash, that some of the cash would be used for the very things that we are talking about doing out of these other programs. I would in fact recommend that. I think that feasibility studies for industries would be a good—might be a very good way to spend some of that money.

So I would like to do it in a manner that most benefits, that is most helpful.

Senator PELL. Well, I notice quite a lot of the administration program is connected with the housing investment guarantees. Why is there such a large amount, percentage, devoted to that particular project?

Mr. MCPHERSON. We have not allocated an exact amount for the HIG program, though certainly a portion of it might be. I think we need to look at the housing needs and how to stimulate the private sector in housing construction there when we do that, and that has to be measured against OPIC investment guarantees.

We have not made a cut on how that $30 million might be done.

Senator PELL. And I would like to ask Secretary Ridgway, what would be the impact on our relations with the United Kingdom and Ireland if—and I do not think this will happen, but if—no measure of this sort is passed by the Congress?

Ms. RIDGWAY. I think they would be extremely disappointed. We have been associated with this effort—we went back to check on it—since 1977. We have had a commitment to associate ourselves with it, to participate where appropriate, where they wanted us to.

I think it would send the kind of a message which would say to them, we are not interested; this effort that you have gone through over all of these years is one that's, fine, but do not look to us for support.

I think that they would go forward with it. I am not suggesting at all that they would say we cannot proceed, but I think that would be extremely disappointing.

Senator PELL. Thank you.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Pell.

At this point the committee will go into its business session. The witnesses may just remain at the table if you wish to and observe this session. We will return to questioning very shortly.

[Whereupon, at 11:45 a.m., the committee proceeded to other business.]

[Whereupon, at 12:46 p.m., pursuant to recess, the committee reconvened.]

The CHAIRMAN. We will proceed now with further questions of the witnesses on Irish aid.

May we have order in the committee room.

Senator Evans, do you have questions of the witnesses?

Senator EVANS. Yes, Mr. Chairman.

Let me begin by saying that I have deep reservations about both the alternative proposal and even the administration's proposals on this matter. I think I have perhaps a deeper commitment to foreign

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aid as an essential ingredient in American foreign policy than perhaps even some other Members of Congress.

I think that it is one of the most important responsibilities of members of the Foreign Relations Committee to try to educate the American people about the necessity of foreign aid as an integral part of our foreign policy. This is particularly true as it relates to American security.

And I think that was well stated in both of the full statements that were given this morning.

With that as the policy, it seems to me we are currently failing to meet the aid commitments which are essential to American security and American foreign policy. I think that is particularly true in Central America, where the Bipartisan Commission on Central America sent a recommendation to us. That recommendation was essentially adopted with our acceptance of the Commission report.

In the first year, the $1.2 billion of aid in fiscal year 1985 was appropriated to Central America. We promptly reduced that in fiscal year 1986, as I remember, to something a little over $800 million, $300 some million short of what we had proposed.

I do not accuse the administration of that. This reduction was the result of congressional action. But even the administration's proposal for fiscal year 1987 for Central America falls some 12 or 13 percent short of the commitments we made just a few years ago.

As was also pointed out this morning, we have new commitments, which I think are terribly important commitments for foreign policy and American security to the Philippines. And I think there are major differences between these requests and the request before us.

The major differences are that in virtually all cases we are talking about aid to developing nations, rather than aid to developed nations. We are talking about nations for the most part who have no long democratic traditions, and part of our aid is to assist them in establishing those democratic traditions. That certainly cannot be the case in either Great Britain or Ireland.

I hail the agreement that the two countries have come forward with, but the reaction to date from the people in that area indicates that much more than monetary aid is going to be required.

I would like to turn from that statement to some specific questions, first of Mr. McPherson. You mentioned in your testimony the difficulties you face in the foreign aid shortages. And I think you ably set forth how much of it is earmarked already for certain several areas, 75 percent; that only $930 million was left, and that is a shortfall of 32 percent.

Of that amount, $594 million has been allocated for Central America. That $594 million is substantially short, is it not, of the recommendations that were made by the Bipartisan Commission on Central America?

Mr. MCPHERSON. It is indeed, sir.

Senator EVANS. Could you tell me about how much that is short?

Mr. MCPHERSON. Well, let me see. Let me get that for you in just 1 minute.

Senator EVANS. All right, fine.

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Mr. McPHERSON. It is a matter of—the Kissinger Commission recommendations included development assistance, food, ESF, and other items.

Senator EVANS. But a comparable figure for this $594 million?

Mr. McPHERSON. I think we are talking—yes, we talked something—let me get you the ESF figures. About $100 million, I think.

[Pause.]

Mr. McPHERSON. The 1987 request is $846 million, and that would be roughly what we would have needed to have made up the Kissinger Commission numbers. So we are a couple of hundred million plus.

Senator EVANS. About $250 million short there.

Do you have any sense at all of what the likely additional requests for the Philippines and Haiti are going to be, particularly the Philippines?

Mr. McPHERSON. Well, the Philippines, we are working hard to try to figure out a request that will not take money away from the account. That is not actually worked out, however.

And Haiti, it is a little awkward for me to talk about exact numbers, Senator, as you can understand. But I am convinced—I was down there a couple of weeks ago—that in some fashion within these accounts or in some manner we will need to provide some additional money for petroleum.

Senator EVANS. How far can we really go when we talk about, within the accounts, in terms of shifting and borrowing? That is a pretty good trick, if we have a deeply limited pocket and we keep shifting around and saying we can find it within our pockets.

You must have an extra pocket someplace.

Mr. McPHERSON. Magic with diminishing credibility.

Senator EVANS. Exactly. Is it not accurate to say that it would be virtually impossible to do, both for the Philippines and for Haiti, with just shifting around among current accounts?

Mr. McPHERSON. That is correct. We cannot certainly do what is necessary within these if we are only looking at our own accounts. We just cannot do it, and as I indicated when I laid out the initial scenario here for the problems that I can see now, and that does not take into consideration what other developments or opportunities.

It seems to me—I know you are making this point, and I very much appreciate it. It seems to me that the foreign policy of the country is a moving foreign policy. You cannot always project what opportunities or problems are going to be out there.

And I just have great difficulty seeing how we can take another $30 million or $50 million out of these accounts and do the job that America needs.

Senator EVANS. I agree with you. It seems to me that we have fallen short already in certain of these terribly important areas. I have some pretty strong feelings about what we ought to be doing in Central America, and it seems to me that the alternative to excising the cancer in Nicaragua, as the administration is suggesting, may well be a building of antibodies to cancer, and those antibodies, the best ones I know of would be strong, democratically inclined, economically viable countries surrounding Nicaragua.

Mr. McPHERSON. Absolutely.

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Senator EVANS. And we are not giving them the kind of aid that they need. As Senator Pell pointed out very accurately, I think, that we all have a strong sense of identity and emotion about both Britain and Ireland.

But in terms of American current foreign policy and American security, would you say that Central America and the Philippines rank higher?

Mr. MCPHERSON. I think the best way to allocate the dollars is to do as we have done, as we propose; that in fact the proposal of the administration is to take none of the dollars for Ireland from current accounts, because I think those are critically needed dollars there.

Senator KERRY. Would my colleague just yield for a point of personal privilege, Mr. Chairman?

I am unfortunately, because of the length of the other business meeting, unable to stay. Will the record remain open so that I could submit some questions?

The CHAIRMAN. Yes, it will indeed.

Senator KERRY. I appreciate it. Thank you very much.

Thank you, sir.

Senator EVANS. Let me turn to Ms. Ridgway and her testimony. You mention in your testimony that extremists on both sides are characterizing possible U.S. aid as bribe money and interference in Northern Ireland's affairs. Is that a sentiment that is held only, as you suggest, by extremists, or how broadly is that felt in Northern Ireland?

I have some qualms about our foreign aid—even in countries that are in great need of foreign aid and which are ready to accept it, some of that same sentiment seems to appear.

Ms. RIDGWAY. I think that was—well, I know that was a very carefully considered judgment of where this feeling is to be found. The entire agreement has produced is some circles a sense of uncertainty as to what the future holds. But the suggestion that this is not good and we are paying bribe money is coming from the edges, not from the center.

Senator EVANS. Do you have any recommendations as to conditioning of aid, if we decide to go ahead and provide aid? And I am thinking here of a continuing concern of mine—the degree to which substantial monetary support is provided from this country to the IRA and to other extremist groups in Northern Ireland or in Ireland.

More specifically, we have had some considerable objection to an extradition treaty which has been before this committee. The administration proposed and strongly supports that extradition treaty.

Do you think that it ought to be included in any package of aid that is sent forward?

Ms. RIDGWAY. Well, you are quite correct, Senator Evans, in pointing out that we have supported both the extradition treaty and of course this assistance package about which we are testifying today.

As we understand the notion of putting these two things together, it reflects a procedural relationship between the two measures, and obviously our hope is that Congress will act favorably and

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promptly on both measures. How one proceeds, is of course something for us not to comment on.

Senator EVANS. I understand the procedural problems. They are two separate issues. One is a treaty and requires a different vote.

But I presume it would be possible, if we chose to do so, to include in the measure of aid a proposal that it would not take effect until such time as an extradition treaty was adopted by the Congress. Would you suggest that that is a good idea?

Ms. RIDGWAY. I would still see that as a procedural matter that is to be decided, not by us, but by the Congress. But I would like to—I do not want to evade your question. I would like to say that there certainly is a relationship between the extradition treaty and the assistance proposal, in that they both have as their ultimate objective an end to the violence and an end to the terrorism which have plagued Northern Ireland, particularly in recent years.

They each address different aspects of the problem, but there is a relationship and we support both documents.

Senator EVANS. Mr. Chairman, I see the red light is on. I do not know if there is going to be another round of questions or time for a couple of others.

The CHAIRMAN. Let me check with Senator Pell as to whether he has questions, and if not I will ask you to proceed, Senator Evans.

Senator PELL. No questions. Just one comment, really following up on Senator Evans. We all have varying views, but I would take the view that there really is no connection between the extradition treaty and the Irish aid package; they are separate subjects and should be kept that way.

And I just wanted to make that view known.

The CHAIRMAN. Thank you, Senator Pell.

Senator EVANS. I would agree with the Senator they certainly are separate issues, but it would not be the first time that the Congress has hooked more than one car to the train.

Senator PELL. Some of us oppose linkage in all kinds of ways. This in one more example where I think linkage is not a good idea.

Senator EVANS. Just a couple of other questions. You mentioned, Ms. Ridgway, the unemployment in Northern Ireland, and of course 22 percent is indeed high; in the Republic of Ireland, a 17 percent unemployment rate. You also mentioned, the extreme degree to which it is governmental funds that are providing whatever jobs and income there is in Northern Ireland.

I always wince when someone else uses this argument, but I suppose I have to ask it. Does that not sound rather hollow to many people in this country who live in urban centers where unemployment is even higher and probably whatever jobs are available in those urban centers are just as much provided by governmental funds, rather than private funds, as is the case in Northern Ireland?

Ms. RIDGWAY. I do not know if it rings hollow. It certainly must ring familiar.

Senator EVANS. That, frankly, is the biggest problem we always run into when we are attempting to defend the foreign aid program to our own constituents back home.

And I believe very strongly in defending the foreign aid program, but I want to make sure it is a foreign aid program that is defensi-

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ble. And that is why I expressed at the beginning that I have some deep concerns about where this particular aid comes in the priority of American national interests and in American security interests, rather than just the emotion that may be attached to it.

And I will not ask you to rank all of the countries in terms of their relation to our national and security interests. But I would suspect that this request has to be reasonably low on the list.

It seems to me that we have assumed, as a world leader, an immensely large share of the foreign aid to many countries where other developed nations have significant interests, but have not provided equivalent kinds of support.

To what degree can we afford to continue to do this, and to what degree should we be looking to others who are able and who have even stronger security and national interests than we do in an area to step in and supplant American aid?

In this case I would look toward the various countries of the British Commonwealth and the countries of the European Economic Community. Should they not be doing this job, rather than us?

Ms. RIDGWAY. If I might, I believe you were present, Senator, when I spoke of some of the figures regarding the UK's——

Senator EVANS. Yes.

Ms. RIDGWAY [continuing]. Own contribution of billions of pounds.

Senator EVANS. I know it is very large as far as the UK itself is concerned. I am thinking of the Commonwealth and of the European Community.

Ms. RIDGWAY. Yes, on the Commonwealth countries, of course, Canada and Australia, we do not have figures as to what they might eventually contribute. We know that the British and Irish governments are talking with them, but we do not have any specific commitment information from them.

On the European Community and the fact that it might provide support, probably it would take the form of increases in their existing programs for Northern Ireland, rather than a cash contribution to the fund. And the figures are rather interesting, Senator.

According to our records in any case, the European Community has allocated about $680 million in assistance for Northern Ireland through regional social and agricultural funds and through something known as the Belfast urban renewal program. About half of that, that program, has been dedicated to training, particularly industrial training programs for those under age 25.

The European Investment Bank is an institution which figures here, and according to our figures Northern Ireland has received about $190 million in direct loans from the European Investment Bank.

We expect that Northern Ireland will continue to receive these major aid flows from these three funds over the next few years. So we are not alone in this.

Senator EVANS. Over what period of time is that $680 million?

Ms. RIDGWAY. Let me check on that if I might.

[Pause.]

Ms. RIDGWAY. Senator, over the last approximately 3 or 4 years. So it looks like $200 million a year approximately.

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Senator EVANS. OK. You go on in your testimony to say that, despite these efforts, the total number of jobs in Northern Ireland has declined by 10 percent in the last 5 years alone. Violence unquestionably has increased, and even the agreement, as magnificent as it was, has led to more rather than less violence.

How will this aid really encourage a reduction in violence or, more importantly, encourage the long term private investment in that troubled area? It seems to me you cannot provide new jobs unless there is private investment, and you are unlikely to get private investment unless there is an end to violence.

Unfortunately I do not know how you get an end to violence. But it seems to me we are caught in a terrible circle here, and I do not see any entry into it.

Ms. RIDGWAY. Senator, I feel more encouraged if I speak in terms of a straight line, and if I could continue your own development of the problem there. The violence is the product of fear and uncertainty about what the future might be, what the relationship is between the two traditions, and where in fact one might find hope for the future in terms of one's own economic objectives.

If you see it as a circle, I think one could in frustration almost say where do we break in, as you do. But if you just take a set of assumptions that make it possible for you to act, then you could start the line at the other end to say that the lack of employment, the lack of a sense of future, gives rise to fear and uncertainty; fear and uncertainty, when you have a tradition of, at the least, animosity between the two traditions, it makes it all the worse.

The atmosphere becomes discouraging to those who would invest. The lack of investment produces a declining rate of growth, and that produces a lack of employment, and one repeats it over again.

With the agreement, we seem to have captured, the British and Irish governments seem to have captured a moment in history in which they can establish a framework which has the potential for reordering that situation, for bringing about a lessening of the fear and uncertainty, thereby, if you will, a lessening of the negative atmosphere and some hope for investment.

But you have described the challenge accurately and exactly the way we see it, and we think it is appropriate for us to support an effort that tries to, if not break into the circle, at least place ourselves somewhere else on this straight line to unemployment and a continued recession.

Senator EVANS. I guess finally, the question that probably is unanswerable, but do you really feel that if all citizens, both of the Republic of Ireland and of Northern Ireland, were engaged in productive, effective work, that it would really end the violence which seems to turn more over who has political control almost than it does—it is certainly exacerbated by unemployment and fear of the future.

But if everybody had a job, if everybody was economically secure, do you really think it would end the violence in that area?

Ms. RIDGWAY. I certainly think it would end that violence which alters the political balance.

Senator EVANS. I am not sure I quite understand.

Ms. RIDGWAY. Well, there are those who—I think the large majority, if I could, the center across the two traditions, who support

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non-violent positions and views, who seek an opportunity to participate in the economic growth, who want jobs and who want to go about the business of living.

There may be those at the far edges of either who simply seek political expression, whose concerns will never be accommodated through economic growth. And we would not through a change in the economic picture get to those views on the edges.

To the extent that those views on the edges have a way of altering the political process, they have an importance when everybody is unhappy. But if you can make them marginal, not make them central, through the economic growth in the middle, then I think you have changed the situation.

Senator EVANS. Thank you, Mr. Chairman. I appreciate this.

The CHAIRMAN. Thank you very much, Senator Evans.

The Chair would ask unanimous consent. Without objection, the record will be kept open for additional questions. And a statement by Senator Biden will be included in the record.

Let me ask just one technical question. As a part of the non-cash package, a certain degree of housing assistance is involved. How would that work? What is the nature of the housing assistance?

Mr. MCPHERSON. The housing investment guarantee program is a program whereby U.S. private investors extend money. That loan that they extend is guaranteed, its payment is guaranteed by the U.S. Government. Now, that would be a program which we would envision to be run parallel to the fund.

We have not exactly worked out how that would function, but that is essentially how that would be worked.

The CHAIRMAN. Would American investors be offering mortgage money in Northern Ireland? Is that a mortgage that would be guaranteed by the United States Government?

Mr. MCPHERSON. Well, in effect, the American money would go in and the U.S. Government would guarantee that money.

The CHAIRMAN. The repayment of the loans?

Mr. MCPHERSON. The repayment, yes. There is no doubt it would be done through—it would not be individual mortgages that would be guaranteed. It would be some structure that this would go through.

This is a program, this housing investment guarantee program, is one that AID has run for many years very successfully in developing countries, and it is one that I could envision could work fairly well. I would like to—we have not really gotten into how that might be done, but my hope is that it would not be just sort of straight government subsidized housing.

On the contrary, I would like it to in some way invigorate the private housing market in those areas.

The CHAIRMAN. Well, I raise the question really for the reasons that your answer anticipates. Our government has had a great deal of experience in domestic housing programs, some more successful than others. There are any number of needs in this area at home and, without once again getting into a difficult comparison of relative needs, I suspect that the question will be raised as to why we are guaranteeing loans for housing in Northern Ireland at a time that there is substantial resistance to doing more of this in the United States.

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It may be an unfair comparison and it may be that the situations will differ. But at this point, since the mechanism has not apparently been set up. There is really no precise answer to my question.

Mr. MCPHERSON. That is correct.

The CHAIRMAN. How it would be done.

Mr. MCPHERSON. We have a long established mechanism for housing guarantees generally, but we have not worked it out in connection with the Irish program.

The CHAIRMAN. We thank you very much for your forthcoming testimony.

Mr. MCPHERSON. Thank you.

The CHAIRMAN. The hearing is adjourned.

[Whereupon, at 12:52 p.m., the committee was adjourned, to reconvene upon the call of the Chair.]

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APPENDIX

Prepared Statement of M. Peter McPherson

Thank you for the opportunity to appear before the Committee to discuss the Administration's foreign assistance program and the Irish aid proposal. Our foreign assistance programs are a critical element of this country's foreign and national security policies. These programs significantly enhance the security of the United States, and do so at minimal cost.

Our total foreign assistance program is designed to pursue broad national goals. It bolsters friends facing aggression, and helps deter regional conflicts. It fosters economic and political reform. It encourages development. In the process, it alleviates the political and social unrest which threaten the security not only of our friends, but ultimately of ourselves. It is far less costly, as well as more effective, to alleviate the causes of unrest than to attempt to contain unrest once it develops. More importantly, it meets basic human needs of poor people striving to better themselves in the developing countries.

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In allocating our assistance, we have developed a set of priorities. Our commitment to peace in the Middle East is critical, as are our base rights commitments, the support of front-line and military access states, Central America and the promotion of peace, stability and economic progress in Africa, South Asia and other areas important to us. Our commitment to democratic values has borne fruit, and over the past months the people of such countries as the Philippines, Haiti and Guatemala have broken with the past and have rededicated themselves to these values.

We face therefore, the challenge of meeting our traditional priorities and responding to these new requirements with very scarce foreign aid resources.

The Anglo-Irish accord is yet another extraordinary event in this remarkable year. Our proposal for assistance to Northern Ireland reflects our strong desire to respond to the needs of the Irish people and our support of the Anglo-Irish initiative provides us an historic opportunity to advance the prospects for peace and prosperity in Northern Ireland and the affected counties of the Irish Republic.

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LOOKING AT THE IRISH PROPOSAL WITHIN THE CONTEXT OF OUR OVERALL FOREIGN ASSISTANCE EFFORT, HOWEVER, WE HAVE HAD TO KEEP IN MIND THE SEVERE BUDGET CONSTRAINTS WE NOW CONFRONT. WE ARE COMMITTED TO MAKING RESOURCES AVAILABLE FOR THIS INITIATIVE, BUT BUDGETARY REALITIES LIMIT WHAT WE ARE ABLE TO OFFER. WE ARE PROPOSING A MIXED PROGRAM. THE VALUE OF THE PROGRAM IS $250 MILLION -- INCLUDING CASH AND GUARANTEES -- TO BE DISTRIBUTED OVER A FIVE YEAR PERIOD. FOR FY 1986 AND FY 1987 WE ARE PROPOSING $20 MILLION IN ESF CASH ASSISTANCE EACH YEAR. WE ARE ALSO PLANNING TO PROVIDE ASSISTANCE THROUGH OUR HOUSING GUARANTY PROGRAM, THE PRIVATE SECTOR REVOLVING LOAN FUND AND THE TRADE AND DEVELOPMENT PROGRAM. ADDITIONAL ASSISTANCE FROM OPIC AND EXIM WILL ALSO BE AVAILABLE. THE NON-CASH PACKAGE WILL TOTAL APPROXIMATELY $30 MILLION A YEAR FOR FY 86 AND FY 87. WE BELIEVE THESE PROGRAMS CREATE INCENTIVES FOR PRIVATE INVESTMENT AND COMPLEMENT OUR CASH CONTRIBUTION. AS ALL INVOLVED AGREE, PRIVATE INVESTMENT IS THE KEY TO IMPROVING THE ECONOMIC SITUATION IN NORTHERN IRELAND.

THE HOUSE RECENTLY PASSED A BILL WHICH WOULD EARMARK $50 MILLION OF FY 1986 ESF FUNDS FOR THE IRISH PROPOSAL. DURING LESS SEVERE BUDGET TIMES, A $50 MILLION CASH CONTRIBUTION MIGHT BE POSSIBLE, BUT TODAY IT RAISES SIGNIFICANT PROBLEMS FOR US. GIVEN THE SEVERE LIMITATIONS ON RESOURCES AVAILABLE THIS FISCAL YEAR, IMPLEMENTATION OF THE HOUSE PROVISION WOULD DO SERIOUS HARM TO IMPORTANT PROGRAMS SERVING VITAL U.S. INTERESTS IN VARIOUS PARTS OF THE WORLD.

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TO PUT THIS PROBLEM INTO CONTEXT:

-- THE FINAL ESF APPROPRIATION FOR FY 1986 WAS 12% BELOW OUR REQUEST AND 7% BELOW THE 1985 LEVEL (EXCLUDING THE MIDDLE EAST PEACE SUPPLEMENTAL).

-- OF THE ESF FUNDS THAT CONGRESS APPROPRIATED (AFTER GRAMM-RUDMAN), 70% WERE EARMARKED. THE TWO MAJOR RECIPIENTS, ISRAEL AND EGYPT ACCOUNTED FOR 32% AND 22%, RESPECTIVELY.

-- FOUR PERCENT OF THE TOTAL WAS ALLOCATED TO NON-EARMARKED BASE RIGHTS COUNTRIES TO FULFILL OUR COMMITMENTS AND SUPPORT THEIR SPECIAL ROLES IN COLLECTIVE DEFENSE.

-- ONLY $930 MILLION, OR 27% OF THE TOTAL ESF APPROPRIATION FOR FY 1986 WAS LEFT TO ALLOCATE TO THE REST OF THE WORLD. THIS REPRESENTED A SHORTFALL OF 32% FROM OUR REQUEST LEVELS FOR THE COUNTRIES INVOLVED.

-- OF THAT AMOUNT, $594 MILLION HAS BEEN ALLOCATED FOR CENTRAL AMERICA AND THE CARIBBEAN WHERE ESF IS BADLY NEEDED TO STRENGTHEN DEMOCRATIC GOVERNMENTS AND TO COUNTER THE THREAT POSED BY NICARAGUA AND SOVIET/CUBAN-SUPPORTED SUBVERSION.

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-- THAT LEAVES US LESS THAN $340 MILLION TO MEET PRESSING NEEDS AROUND THE GLOBE FOR MORE THAN 30 COUNTRIES AND REGIONAL PROGRAMS, AND TO ATTEND TO ANY UNFORSEEN NEW REQUIREMENTS.

-- THE $50 MILLION EARMARK PROPOSED BY THE HOUSE FOR IRELAND, THEREFORE, WOULD ACCOUNT FOR 15% OF THIS REMAINING BALANCE.

NUMBERS ALONE CANNOT TRULY ILLUSTRATE WHAT CUTS IN FUNDS REALLY MEAN. I WOULD LIKE TO GIVE SOME CONCRETE EXAMPLES OF A FEW OF THE PROGRAMS PLANNED FOR FY 1986 THAT HAVE BEEN AFFECTED:

-- ZAMBIA IS A KEY FRONTLINE STATE IN SOUTHERN AFRICA, AND HAS RECENTLY ADOPTED AN AGGRESSIVE PROGRAM TO PROMOTE ECONOMIC RECOVERY. THESE REFORMS HAVE RESULTED IN A SHARP DEVALUATION OF THE LOCAL CURRENCY AND HAVE HELPED THE ZAMBIANS TO PAY OFF IMF ARREARAGES. AT THE SAME TIME, HOWEVER, THE REFORM HAS PLACED SEVERE PRESSURE ON DOMESTIC PRICES, HURTING URBAN DWELLERS AND CREATING POLITICAL UNREST. REFORMS LIKE THIS REQUIRE SUPPORT FROM DONOR NATIONS SUCH AS THE UNITED STATES; MANY COUNTRIES IN AFRICA ARE LOOKING TO SEE WHETHER THESE KINDS OF POLICY REFORMS CAN BE SUSTAINED. OUR BUDGETARY CONSTRAINTS HAVE FORCED US TO CUT OUR FY 1986 ESF PROGRAM FOR ZAMBIA BY ONE-THIRD, AND JEOPORDIZE THE IMPORTANT PROGRESS MADE BY THE GOVERNMENT OF ZAMBIA.

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-- In Kenya we will be unable to fund a program designed to liberalize the Kenyan private sector's access to U.S. products, or a technical assistance program to implement policy reform and structural adjustment.

-- ESF for Haiti was nearly halved, and we are now desperately seeking funds to support petroleum imports for which the Haitian government lacks the necessary foreign exchange.

-- In Morocco we will be unable to initiate planned private sector export credit activity because of a 50% cut in funding for the program.

-- Finally, in Chad, we had planned a $10 million ESF program to help the Government maintain a minimum level of agricultural, health and public utility services and to fund ongoing road construction work. Budget constraints have forced us to cut this program in half.

We also have a number of new -- and unanticipated -- requirements. In recent weeks we have seen democratic transitions in both Haiti and the Philippines. The new governments in these two countries are faced with deep social and economic problems and, in the Philippines, an embedded Communist insurgency. The administration intends to approach

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THE CONGRESS IN THE NEXT FEW WEEKS TO DISCUSS PROPOSALS FOR ASSISTING THESE NEW GOVERNMENTS TO COPE WITH THEIR MULTITUDE OF PROBLEMS.

IT IS AGAINST THE BACKDROP OF WORLDWIDE INTERESTS AND COMMITMENTS, COMPETING DEMANDS AND STRAINED RESOURCES, THAT WE HAVE ADDRESSED THE ANGLO-IRISH INITIATIVE. THE ADMINISTRATION, LIKE THE CONGRESS, RECOGNIZES THE OPPORTUNITY WHICH THE INITIATIVE GRANTS US. THE ADMINISTRATION'S PROPOSAL IS A RESPONSIBLE PROGRAM FOR SUPPORTING THAT INITIATIVE WHILE RECOGNIZING BUDGET CONSTRAINTS. WE CANNOT MAKE MORE DEMANDS ON DEPLETED ESF RESOURCES. IF WE DO, WE INCUR RISKS FAR BEYOND ANY GAINS WE MIGHT MAKE IN NORTHERN IRELAND OR ELSEWHERE.

WE BELIEVE THIS PROPOSAL IS THE MOST RESPONSIBLE WAY TO ADDRESS THE ANGLO-IRISH INITIATIVE, AND REQUEST YOUR SUPPORT FOR THE ADMINISTRATION PROPOSAL. NOW, MR. CHAIRMAN, I WILL BE HAPPY TO ANSWER YOUR QUESTIONS.

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PREPARED STATEMENT OF ROZANNE RIDGWAY

Good morning, Mr. Chairman, Members of the Committee. Administrator McPherson has discussed the broad outlook for our foreign assistance programs in a Gramm-Rudman-Hollings environment. I propose to discuss why, at this juncture, the Administration is proposing a program of assistance to Northern Ireland or Ireland, as well as to address specific concerns that have been raised about the Administration's proposal.

Americans have long been deeply concerned about the tragic situation in Northern Ireland. In recent years we have seen the people of that region suffering from a seemingly unbreakable chain of violence and economic deprivation, in great measure due to decades of mistrust, fear and even outright hatred, between members of the Nationalist and Unionist traditions.

The Reagan Administration has taken the same position with respect to this situation as have previous Administrations, that it is not for the United States to chart a course for the people of Northern Ireland. This U.S. Government position does not reflect any lack of concern about Northern Ireland, but rather our belief that those most directly involved--not the United States--should decide questions affecting the future of the people in Northern Ireland.

The Agreement of November 15, 1985 between the British and Irish Governments is truly a credit to the courage and

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determination of both Governments to overcome negative legacies of history in that region. In the United Kingdom, parliamentary endorsement by a vote of 473 to 47 showed overwhelming support by most Tory backbenchers, and the Labor and Alliance parties. The relatively close November 21 Dail vote of 87 to 75 disguises the extent of popular support for the Irish Government's action--then over 50%, and according to recent polls taken in the Republic, now up to a solid 69% support. Our latest information about support for the Agreement in Northern Ireland suggests that it is increasing and that now 46% of the population there supports the Agreement, up from about 35% immediately following its signing in December. This figure does not adequately reflect the continuing differences in support between the two traditions; however, virtually all of the Catholic minority committed to non-violence supports the Agreement as well as about 20% of Unionists.

Opposition by a segment of the Unionist community continues. In the weeks immediately following the entry into force of the Agreement, this opposition was directed overwhelmingly at the British Government and at the Agreement itself through essentially nonviolent measures, including court challenges to its constitutionality, and resignation of all 15 Unionists from their Westminister seats to force a bi-election as a referendum by the people of Northern Ireland on the Agreement. That bi-election held January 23, resulted in a loss by Unionists of one seat to the Nationalists.

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More important, a lower than hoped for level of Unionist participation and solid Nationalist vote against Sinn Fein, the political wing of the Provisional Irish Republican Army, seemed to indicate that many in Northern Ireland were inclined to give the Agreement a chance. Following a Unionist-organized Northern Ireland-wide strike March 3, many Unionists, including some political and business leaders, decried the attendant violence and foreswore participation in any future strike.

Incidents of Unionist violence have recently been directed even at the police force, and extremists on both sides are characterizing possible U.S. aid as "bribe" money and interference in Northern Ireland affairs. We understand that these actions reflect fear and uncertainty about the new approach to the conduct of government in Northern Ireland which the Agreement has brought about. But we believe that both Governments remain committed to demonstrating in practical ways that the Agreement is not to be feared, but rather will provide all in Northern Ireland with short-term as well as long-term benefits.

While we recognize that the road ahead to genuine, longlasting peace in Northern Ireland remains difficult, this Agreement deserves full recognition and support as a meaningful step toward strengthening the shared interests of both traditions in Northern Ireland for a better future there.

President Reagan and many Congressional leaders hailed the Agreement as providing a "framework for peace" and "an

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important step toward reconciliation." They also signaled their commitment to the idea of providing tangible U.S. assistance as a concrete demonstration of the value we attach to the Agreement, and our hope for a beginning of the end of the cycle of violence and despair in Northern Ireland. This idea of tangible U.S. assistance was first expressed by President Carter, who in August 1977 said: "In the event of a settlement, the U.S. Government would be prepared to join with others to see how additional job-creating investment could be encouraged, to the benefit of all the people of Northern Ireland." Last November 15 President Reagan offered to seek to provide tangible assistance, and in the weeks following entry into force of the Agreement, we began discussions with the two Governments on this question.

The Administration believes that assistance by the United States can be helpful in giving substance to this message not only for the people in the affected region, but also for the international community. We believe that the two Governments' commitment to the spirit and letter of the formal Agreement their Prime Ministers signed last November 15 is unwavering, but that the success of the task they have set for themselves is directly related to their ability to effect improvement in the daily lives of the people in the region.

We have, therefore, designed our proposed program of assistance carefully to respond to real needs in that part of the world. Our proposed cash contribution to the British and

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Irish Governments' planned International Fund is designed to provide seed money to this vehicle which those Governments have decided will serve as their primary new joint mechanism to promote economic and social development in the region. We understand that the Fund will be established in the coming weeks, although it will probably take a while longer before it is fully operational.

The British and Irish Governments are in the process of identifying appropriate projects for consideration by the Fund. Emphasis will be given to the stimulation of private sector investment, for which one vehicle under discussion is venture capital arrangements which could maximize the use of the money contributed to the Fund. The two governments have already decided that 75% of the Fund's activities will be directed to Northern Ireland, the remaining 25% to areas of the Republic of Ireland most seriously affected by the instability of recent years.

It is important to note that the Fund as an entity will operate independently of the two Governments and that final decision-making authority on Fund activities will rest with its administering Board , which will be composed of not less than six nominees appointed jointly by both governments. Given the objectives of the Agreement and the Fund itself, the nominees will necessarily have to enjoy the confidence of the two Governments and of both traditions in Northern Ireland. Donor countries may participate in board meetings as observers. We

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would intend to accept such a role for the United States and are also prepared to provide economic development expertise available in the U.S. Government, which may be relevant to the Fund's developmental efforts.

We expect that the Fund will make available to the donors on a regular basis detailed reports on its activities and accomplishments in the context of the Agreement. We expect to discuss these reports with the Congress, both informally and in the course of presenting formally our budget testimony on future U.S. contributions over the five-year cycle of our proposed program. We are confident that the independent nature of the Fund and its management operation will ensure adherence to the objectives spelled out in the Agreement and specifically with respect to promotion of human rights, equal employment opportunity and reconciliation. We do not believe that Presidential certification or annual Presidential reports in this regard are necessary. We also believe that they would erode the necessary expression of confidence in the Fund which our contribution is intended to foster in the first instance.

The Irish and British Governments have invited other countries with close human and historical ties to Ireland and the United Kingdom to contribute to the Fund. We do not have yet any firm indications of what specific other countries will contribute, or at what levels of assistance. We understand that the British and Irish Governments are discussing this question with the European Community and with Canada and

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Australia. We also understand that possible EC assistance will take the form of increased spending through existing mechanisms rather than a cash contribution to the Fund, and that possible contributions from Canada and Australia would be to the Fund itself.

Some have questioned why the United States should provide specific developmental assistance to this effort when the annual per capita income, for example, in Northern Ireland is approximately $6,400, hardly a level one normally thinks of in traditional developmental situations. It is important to note that over the last 15 years or so an increasing percentage of this income has been provided by government support efforts. Public spending in Northern Ireland now accounts for roughly 77% of the area's Gross Domestic Product and contributes to approximately 45% of all Northern Ireland employment. This year the British Government plans to spend about 4 and a half million pounds, or roughly $4,000 per person, in Northern Ireland through governmental institutions there. Of this about 1.6 billion pounds constitutes net cash infusion into that economy. A Northern Ireland citizen receives roughly 50% more from the public purse than citizens in other parts of the United Kingdom.

The European Community has also allocated about $680 million in assistance for Northern Ireland through its regional, social and agricultural Funds and the Belfast Urban Renewal Program, of which about half has been dedicated to

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training, particularly industrial training, programs for those under age 25. Northern Ireland has also received $190 million in direct loans from the European Investment Bank. It is expected that Northern Ireland will continue to receive these major aid flows from the three Funds and from loans over the next few years.

Despite these efforts, the total number of jobs in Northern Ireland has declined by 10% in the last five years alone, standing now at about the same level as 20 years ago. Overall unemployment in Northern Ireland stands at about 22%. There are many pockets of unemployment where the number of unemployed reaches 50% or higher, particularly where Catholic minority unemployment has been the fate of three successive generations. In the Republic of Ireland, the unemployment rate is about 17%. We do not have available income, unemployment and government spending figures for the specific areas within Ireland to be targetted for Fund activities, but expect that projects in the Republic will be selected by the Fund management on the basis of needs comparable to those in Northern Ireland.

These statistics are grim, and experts have concluded that economic revitalization to expand private sector employment over the long term is the key to attacking an important cause of the historic instability in the region. This is a primary objective of the proposed Fund. It has also been a key point in the designing of our assistance proposal. It specifically

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explains why we also have proposed to make available existing U.S. Government-financed mechanisms to provide to the private sector incentives and guarantees which can function alongside the cash resources of the Fund to help achieve the same objectives.

We are hopeful that the American private sector will join the Administration and the Congress' effort to be supportive of the British and Irish Governments' initiative in Northern Ireland. For many years, it has been expressed U.S. policy to encourage U.S. foreign investment in Ireland and Northern Ireland. In the Republic, circumstances have combined successfully--over $4 billion is currently invested, and over 300 U.S. companies now have functioning enterprises there.

The situation in Northern Ireland is quite different. Total U.S. investment there now stands at around $1 billion, spread out among about 25 companies, primarily in the manufacturing sector. We count over a dozen U.S. company closures in Northern Ireland over the last five years, primarily related to European market conditions or world-wide positioning--reasons on the whole unrelated to Northern Ireland itself. However, we are aware of only three new American businesses going to Northern Ireland during this same period. In view of very generous incentives offered to attract investment to Northern Ireland--up to 50% grants on new facilities in corresponding relation to the level of unemployment--we believe that findings by the region's

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Industrial Development Board several years ago regarding the perception of violence as an inhibiting factor in foreign business circles have significant validity.

In practice, however, American companies have not been the target of violence in Northern Ireland. In fact, they have enjoyed conditions of operational security better than many other overseas locations. American business personnel have never been targets of sectarian violence, and, in terms of personal security, recent statistics show they enjoy greater freedom from the threat of non-political crime than in comparable population centers elsewhere in the United Kingdom and Ireland. Many multinational American corporations with established operations in, and knowledge of Northern Ireland, have in the past few years undertaken significant expansion of existing facilities--over a hundred million dollars. Nonetheless, recently, image problems have meant that Northern Ireland has not been able to successfully attract much needed new investment from blue chip companies. Incentives have often gone to high-risk operations, some of which have subsequently suffered highly public failures.

The economic stagnation of the region we are talking about here therefore cannot be cured by quick or simple infusions of cash alone. Economic revitalization and stability involve a long-term process to which both our proposed cash contribution and existing program mechanisms can contribute equally.

Tailoring existing programs and mechanisms for a specific

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situation necessarily requires some effort, and possibly realignment, of existing or pre-conceived assistance efforts and approaches. It is natural for the British and Irish Governments to prefer simpler, all-cash assistance from the United States. Nonetheless, these existing mechanisms we are proposing can provide inherently prompt and independent economic stimulus, and are not necessarily contingent on activities or contributions of others as is our proposed cash contribution to the Fund, whose final size and diversity will ultimately affect its effectiveness. These programs can contribute to setting in motion a process to stimulate private sector activity and commitment through investment, trade promotion, and guarantee programs.

Moreover, as my colleague has indicated, in the context of present severe U.S. budget stringencies, we believe our responsibilities to the American taxpayer require that we maximize the results from each dollar spent. To the extent possible, we should not detract from other foreign assistance priorities when existing non-Economic Support Funds mechanisms and programs can do the job. We do not believe that the Administration's mixed program proposal constitutes less of a commitment to the British and Irish Governments' objectives than could be attributed to a larger cash contribution. We do believe it is a responsible approach to the real needs in the region in the context of present economic realities in the United States.

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I would like to address the question of restrictions and conditions on U.S. assistance for this Agreement. The Administration does not believe that measures imposing special requirements as proposed by the House should be attached to this assistance proposal. We do not believe there should be U.S. Government involvement in day-to-day management of the Fund. We would anticipate that it would be highly impractical to provide a meaningful audit of U.S. Government cash in the Fund, since we expect that monies in the Fund from various contributors would be fungible.

The Administration's bill authorizes assistance "notwithstanding any provision of law." The purpose of this provision is to enable the provision of assistance without regard to administrative requirements which might hamper the use of the assistance. It was not intended, nor do we believe, that the language avoids substantive restrictions (such as the prohibition on the use of Economic Support Funds for military or police purposes) contained in the Foreign Assistance Act. We would be glad to work with Committee staff to develop language acceptable to all concerned. To reiterate, paraphrase or otherwise address these issues in legislation, as the House bill would do, for this particular assistance proposal would seem redundant. It would also detract from the confidence the United States wishes to demonstrate in supporting the Agreement and the two Governments' efforts to implement it, and from the role, supportive of those efforts, which the United States intends to continue to play in the future.

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With respect to suggestions that have been made to require adherence to the so-called McBride Principles by entities benefitting directly from U.S. assistance for the Agreement, we would add other objections as well. Essentially, these Principles would require companies to take specific actions to increase the representation of Catholics in the Northern Ireland workforce. Fundamentally, the McBride Principles, which supporters allege contribute to the goal of equitable treatment of the two traditions in Northern Ireland, in fact have the potential to exacerbate seriously the present economic difficulties in Northern Ireland, thereby making their adoption a hollow victory indeed for the unemployed looking for jobs.

Northern Ireland has had a long history of employment discrimination, and many vestiges of this remain today. The burden of discrimination has fallen in great measure, but not exclusively, on Catholics because of the siting of many industrial plants in areas hostile to Catholics. The impact of this inequity has worsened with the significant economic recession in Northern Ireland in recent years.

Discrimination is prohibited by law in the United Kingdom, and the 1976 Fair Employment Act specifically guarantees equal opportunity protection in Northern Ireland, including the obligation of employers not to practice discrimination in hiring and to exert reasonable efforts to prevent harassment in and about the workplace. In instances where religious discrimination is alleged, plaintiffs have access to a full range of protection under British law.

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Pursuant to the Fair Employment Act, a Fair Employment Agency was established to promote equality of opportunity in Northern Ireland. That agency sponsors a voluntary Fair Employment Code, which, incidentally, has been signed by practically all U.S. companies in Northern Ireland.

We understand that some U.S. companies in Northern Ireland have concluded that adoption of certain of the McBride Principles would seemingly place their operations in contravention of law in Northern Ireland by promoting reverse discrimination. The Securities and Exchange Commission staff has recently reviewed this question and has found that the questionable legality of some of the Principles gives sufficient reason for corporations to exclude stockholder resolutions advancing these Principles as corporate policy from normally mandatory consideration at annual stockholder meetings. Furthermore, as the Board of Directors of General Motors stated last year, if the intent of the McBride Principles is not to require such preferential treatment, then the McBride Principles offer no advantage over fair employment legislation which now exists in Northern Ireland. In this context, efforts to promote these Principles in the United States seem to have been misguided at best. One result has been inevitably to increase unease U.S. companies may feel about the practicality of doing business in Northern Ireland as more such companies have been faced with proposed stockholder resolutions and state legislation which would require adoption

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of the Principles or in some cases divestiture. It seems reasonable to assume that the net effect of this effort is to curb employment prospects there for those that need jobs the most - the Catholics.

High-level Government officials in the United Kingdom and Ireland have clearly indicated similar concerns. The leaders of the predominant Catholic political party in Northern Ireland itself, as well as of the Catholic Church there and the Fair Employment Agency, have all voiced parallel views.

In considering a U.S. Government assistance program primarily directed at Northern Ireland, these concerns relating to the Principles, voiced to date in a private sector context, would be even more applicable. We want the Agreement to work. We want to contribute to its success. We want our assistance to be acceptable. We think it would be a major mistake to jeopardize these important U.S. objectives by including these Principles in any legislation providing for assistance for this Agreement.

I am prepared to answer any questions you may have on our proposed program of assistance for the Agreement.

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PREPARED STATEMENT OF SENATOR BIDEN

ALMOST EXACTLY SEVENTY YEARS AGO TO THIS DAY, WILLIAM BUTLER YEATS WROTE OF HIS IRELAND:

"TOO LONG A SACRIFICE
CAN MAKE A STONE OF THE HEART.
O, WHEN MAY IT SUFFICE?"

THE PARTITION OF IRELAND, CIVIL WAR, EXTENDED PERIODS OF VIOLENCE AND UNREST, SEVENTY YEARS IN EFFECT OF WHAT WE HAVE COME TO KNOW AS "THE TROUBLES"---

THESE HAVE ALL BROUGHT US TO THIS POINT IN IRELAND.

O, WHEN MAY IT SUFFICE, YEATS ASKED. WELL, IT IS NOW 1986, FAR REMOVED FROM 1916, AND IT HAS NOT---TO USE HIS WORD---"SUFFICED" YET.

THE LEDGER---FOR JUST THIS MOST RECENT CYCLE IN THE TROUBLES---LOOKS LIKE THIS:

17 YEARS OF VIOLENCE
OVER 2500 DEAD
OVER 25,000 SERIOUS INJURIES

IN THE UNITED STATES, THAT WOULD BE THE EQUIVALENT OF 250,000 DEATHS AND 1.3 MILLION SERIOUS INJURIES---JUST ABOUT FIVE TIMES OUR LOSSES IN VIETNAM.

THIS IS DARK TRAGEDY, IN SUCH A SMALL COUNTRY.

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AND THESE ARE JUST NUMBERS. THEY TELL NOTHING OF BROKEN HEARTS AND BROKEN DREAMS, LOST LIVES, LOST LIMBS, LOST LIVELIHOODS, CLOSED MINDS AND CLUTTERED SOULS.

THE VICTIMS HAVE BEEN IRISH, THEY HAVE BEEN BRITISH, THEY HAVE BEEN VERY YOUNG, THEY HAVE BEEN OLD, THEY HAVE BEEN SOLDIERS, THEY HAVE BEEN CIVILIANS, THEY HAVE BEEN FAMOUS, THEY HAVE BEEN OBSCURE---WITH SOME ONLY ACHIEVING FAME IN THEIR DYING.

ON THE OTHER SIDE OF THE LEDGER---WHAT HAVE WE DONE TO END THIS BLOODSHED---THEIR ARE ONLY A FEW BLIPS ON THE SCREEN:

A FAILED POWER SHARING GOVERNMENT IN 1974
A BRAVE PEACE MOVEMENT IN 1976

A FEW BLIPS ON THE SCREEN, UNTIL NOW.

AFTER SIXTY YEARS OF CIVIL STRIFE, FOUR EXTENDED PERIODS OF VIRTUAL CIVIL WAR, 17 YEARS IN THE CURRENT CYCLE OF VIOLENCE AND RETRIBUTION, AND FOUR YEARS OF DIRECT NEGOTIATIONS, WE HAVE AN AGREEMENT---

ALBEIT NOT A PERFECT ONE, BUT AN AGREEMENT NEVERTHELESS.

IT IS A BEGINNING, A CHANCE, A HOPE FOR THIS TINY IRELAND WHOSE MANY WARS HAVE PRODUCED LITTLE MORE THAN A HOST OF SAD SONGS.

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THERE ARE THOSE WHO DOUBT THE "FEASIBILITY" OF THIS AGREEMENT; THERE ARE THOSE WHO ARE UNCERTAIN OF THE MOTIVES BEHIND THIS AGREEMENT. WE WILL WATCH CLOSELY IN THE COMING MONTHS.

THE FACT IS THAT AGREEMENT FOLLOWS ON 800 YEARS DURING WHICH THE BRITISH HAVE BEEN EITHER MALFEASORS OR NONFEASORS WITH REGARD TO IRELAND. WE WILL WATCH CLOSELY IN THE COMING MONTHS.

BUT IT IS UNDOUBTEDLY A SIGN OF MOVEMENT, OF PROGRESS---A CHANCE TO END THE "SACRIFICE" THAT YEATS WROTE SO ELOQUENTLY ABOUT.

AND IT DESERVES OUR SUPPORT.

PRESIDENT REAGAN CALLS THE ANGLO-IRISH ACCORD "A RAY OF HOPE THAT HAS BEGUN TO SHINE." HIS PROPOSAL FOR FOREIGN ASSISTANCE, WHICH IS THE SUBJECT OF THIS HEARING, WOULD HELP TO PERPETUATE THE BRAVE PARTNERSHIP BETWEEN THE PARLIAMENTS OF WESTMINISTER AND DUBLIN, AND BETWEEN THE PEOPLES NORTH AND SOUTH IN IRELAND.

I REMEMBER PRESIDENT KENNEDY'S REACTION AFTER HIS STATE VISIT TO IRELAND IN JUNE 1963. HE SAID THAT

> "IRELAND IS AN UNUSUAL PLACE. WHAT HAPPENED 500 OR A 1000 YEARS AGO IS YESTERDAY. AND WHERE WE ON THE OTHER SIDE OF THE ATLANTIC 3000 MILES AWAY, ARE NEXT DOOR."

THE PRESIDENT, SPEAKER O'NEILL, AND MANY OTHER FRIENDS OF IRELAND SHARE THAT SENTIMENT---WE ARE NEXT DOOR.

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AND PERHAPS WITH THIS AID PACKAGE, WE CAN HELP TO PUT IRELAND'S TRAGIC HISTORY FOREVER INTO THE PAST, AND HELP TO BUILD A NEW FUTURE FOR THOSE MANY THOUSANDS OF PEOPLE IN NORTHERN IRELAND WHO HAVE NOT BEEN ABLE TO DREAM FOR TOO LONG.

TOO LONG A SACRIFICE CAN INDEED MAKE A STONE OF THE HEART. THIS AGREEMENT CAN DO MORE TO END THAT SACRIFICE THAN ANYTHING THAT HAS HAPPENED IN 20 YEARS---SOME MIGHT SAY EVEN 60 YEARS---IN IRELAND.

WE SHOULD LET NOTHING STAND IN THE WAY OF THIS BRAVE PARTNERSHIP BETWEEN IRELAND AND ENGLAND, AND THIS UNIQUE RLEATIONSHIP BETWEEN THOSE TWO COUNTRIES AND THE UNITED STATES.

THANK YOU, MR. CHAIRMAN

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Responses of M. Peter McPherson to Questions Asked by Senator Biden

ANGLO-IRISH AGREEMENT FUND

Question: I understand that after the cash and housing components of the aid package, the rest of the assistance comes from four programs. They are:

-- AID's private sector revolving door fund
-- AID's trade and development program
-- Overseas Private Investment Corporation (OPIC)
-- Export-Import Bank

Have we actually appropriated any new money for those programs and designated it for this fund for the Anglo-Irish Agreement?

So all we have done, in effect, is say that these three partners to the agreement (Ireland, U.K., Northern Ireland) are now eligible for these funds?

Were any of them eligible before--for example, couldn't Britain apply for OPIC or EX-IM Bank assistance now, if they wanted it?

Is it conceivable that Northern Ireland may not be able to qualify or use these funds at all?

Answer: No new funds have been appropriated or authorized specifically for the housing, other guarantee, or credit programs in our proposed Northern Ireland aid package. The only new funds requested are for the cash contribution to the proposed International Fund. In our bill to provide economic support for last fall's Anglo-Irish agreement, we are requesting specific authority to allow AID and OPIC to assist Northern Ireland and

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Ireland through a variety of existing credit and investment mechanisms. These are AID's private sector revolving loan fund and housing investment guarantee, the Trade and Development Program, and the Overseas Private Investment Corporation. Such Congressional authority is needed because AID and OPIC normally assist only developing countries and we do not think the partners to the November agreement fall in this category. However, the economic situation in Northern Ireland itself is such that we believe the programs we propose can be used to considerable advantage in revitalizing housing and other parts of the economy.

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FUNDS FOR MILITARY, SECURITY, OR INTELLIGENCE PURPOSES

Question: Is there anything in the Administration's bill which explicitly prohibits the use of American aid funds for military, security, or intelligence purposes?

Would the Administration object to an explicit requirement that no funds be used for military, security, or intelligence purposes?

Answer: The Foreign Assistance Act (FAA) already prohibits such uses. We view such an explicit requirement in connection with this bill as redundant. We hope that, if necessary, any legislative provision to this effect makes it clear that its purpose is to reiterate requirements already stated in the FAA.

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ANGLO-IRISH ACCORD

Question: I know that a number of groups, some in Northern Ireland like the Peace People and the Corrymeela Project, have been working on a variety of projects designed to break down the barriers between the two communities in Northern Ireland. There are even some groups in America that attempt to reconcile from across the ocean--in Delaware the state university has been running an interdenominational summer teaching program for Ireland and Northern Ireland for years. My question is this: Will these projects in either place--over there or here in American--be able to apply for assistance under this aid program?

Will there be an American representative on the board that distributes the fund (not under the Administration bill)? Would the Administration object to a provision which called for American representation on the board of this International Fund for the Anglo-Irish Accord?

Answer: Our paramount interest in contributing to the International Fund is to promote employment and income generation. We hope that the U.S. contribution will be utilized to revitalize the economy. It is conceivable that useful conflict resolution activities of the kind you mentioned can be financed through other sources.

It is our understanding that the International Fund will provide for observer status for donor countries at Board Meetings. The Administration intends to accept such a role.

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LOANS AND GUARANTEES FOR NORTHERN IRELAND

Question: I understand that this proposal contains $20 million in cash, with the rest of the aid in the form of loans and guarantees. I am, frankly, concerned about the applicability of some of these loans and guarantees for Northern Ireland.

Mr. McPherson, $20 of the $30 million in non-cash aid is in the form of housing assistance, specifically loan guarantees for slum upgrading. What I would like to know is two things: first, does Northern Ireland, or Ireland, or the United Kingdom have access to any of those loans now? Could they apply for these slum housing loans and receive them in the absence of this legislation? If they can, why haven't they?

And second, I understand that one of the requirements for these loans is that the projects focus on slum upgrading? Do we know for sure that this is what needs to be done in Northern Ireland--upgrading slums? Does that mean they can't use this money to build new housing?

And finally, Mr. McPherson, can you tell me if these housing loan guarantees were specifically requested by the two foreign governments, or if they were inserted into the package by our side? If it is the latter, did the British or Irish Governments at any time indicate that this was not the most workable form of assistance they could receive, or in any way indicate that they would prefer loans or guarantees that were structured differently?

Answer: Northern Ireland, the rest of the United Kingdom, and Ireland do not now have access to housing guarantee authorities. They will have it if our aid proposal becomes law. As for the specific

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uses to which our housing guarantees could be put in Northern Ireland, we've just begun to discuss these with the British and Irish. Inclusion of HIGs was at our initiative and not that of the British and Irish Governments. Both parties have expressed some concern about the applicability of the guarantee program to their needs. Naturally the British and Irish Governments would prefer to receive all cash assistance, which would be simpler to utilize than programs and authorities not specifically tailored to the situation. We believe that these guarantees can be of use--for instance in providing services, like sewerage and electrical connections, and, for example, in assisting current renters to buy their own housing. Guarantees can also be used to finance new housing. After the aid bill passes, we stand ready, if invited, to send a team of housing and services experts to review in considerable detail shelter needs in Northern Ireland and affected areas of the Irish Republic, and to work with the British and Irish to develop a good beneficial package.

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